
5.4 Financing Plan

Financing the CALFED Program

Significant effort will be necessary by CALFED agencies and stakeholders on financing the CALFED Program to ensure successful funding throughout Stage 1. Federal, State, and User funding will be necessary, and in order to succeed in funding the Program, the details on exactly how to obtain and bring funds to bear will need to be worked out prior to the Record of Decision. The following actions represent the priority for 1999 for financing the Program.

- **Refine cost estimates** - The cost estimates included in this report for Stage 1 are a first-cut attempt. During 1999, these numbers will need to be refined as more detail is obtained about the specific projects that will take place during Stage 1. In addition, cost estimates will need to be developed for operation & maintenance and included in the cost table.
- **Coordination Plan** - Determine the availability of existing funding sources and coordinate the CALFED Financing Plan with these sources of funding.
- **Beneficiary Pays** - The fundamental philosophy is that costs will be paid by the beneficiaries of the actions. The benefits for each program area need to be defined. CALFED will work with stakeholders and legislature to develop an explicit mechanism by which beneficiaries will be identified and costs will be allocated.
- **Crediting** - An interim policy granting credit for cash contributed to the Category III Program has been approved by CALFED. The details surrounding repayment or crediting against user fees will need to be worked out. This includes determining who will receive credit for payments contributed to the CALFED Program after the signing of the Accord.
- **Seek Federal Authorization/Appropriation** - This will be an ongoing process throughout Stage 1, but the focus in 1999 should be on the FY 2000 Budget.
- **Private Investment** - Assess the potential for private capital as a funding source for the CALFED Program. Evaluate the investment models developed in the study *Quantitative Analysis of Finance Options for California's Future Water Supply* to assess the potential of new water resource investments to attract private investment capital.
- **Finalize Cost Share Agreements** - Cost sharing agreements between the state

government, federal government, and beneficiaries will need to be completed during 1999. This will involve a decision surrounding the cost allocation methodology that is selected, and the role that this will take in cost sharing for the Program. Other related issues include refined cost estimates, the definition and identification of benefits, and the extent to which user fees and private investment will complement public funding and user investment in the Program.

- **User Fees** - Prior to the Record of Decision, CALFED will evaluate the need for fees to fund the Stage 1 actions. Such evaluation will include consideration of existing funding sources, including state and federal authorizations and appropriations, bonds, current fees, and water user charges. It will also be necessary to determine legal authorities and develop legislative support, as appropriate, to support the creation of fees for this purpose.

Program Element Funding/Cost Estimates

Subsequent to release of the draft Programmatic EIS/EIR in March 1998, Program staff developed preliminary cost estimates and conceptual cost sharing tables to stimulate further discussion and to advance the consensus process. This first-cut attempt at estimating the costs of the program for Stage 1 (first 7 years) is included here, but it is a rough estimate of costs, not a detailed or final report on costs. The cost estimates in the following table do not yet include interest, inflation, O&M, individual State and Federal agency costs, and CALFED (or other coordinated entity) management/ overhead costs.

ESTIMATED CALFED STAGE 1 PROGRAM AND CAPITAL COSTS IN MILLIONS¹

PROGRAM AREA²	TOTAL
Ecosystem Restoration ³	965
Conservation	800
Recycling	1,000
Watershed Management	270
Water Quality	250
Delta Levees ⁴	250
Storage (off-stream, on-stream & conjunctive use)	230 ⁵
Conveyance	675 ⁶
TOTAL	4,440⁷

1 Preliminary; based on staff estimates.

2 Includes all CALFED program areas except Water Transfers which has no anticipated capital costs.

3 This includes Prop. 204 (State), Federal Bay-Delta appropriation and CVPIA water and energy funds (Federal), and CVPIA Restoration Fund (User) for seven years. Expanded user fees may also be needed to fund the program elements, including future ecosystem restoration and watershed management.

4 The Delta Levees cost share is consistent with the Water Resources Development Act of 1996 (PL 104-303, Sect. 202), the pre-existing federal cost share for flood control.

5 Includes South of Delta groundwater (145), North of Delta groundwater (15), surface storage pre-permitting and EIR/EIS compliance work (70).

6 Includes South Delta Improvements (433), North Delta Improvements (220), conveyance studies (22).

7 CALFED (or other coordination entity) management/overhead costs and other State and Federal agency costs are not included. O&M and interest are also not included.